

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 COME-00 TRSE-00 NSC-05 CIAE-00  
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R 201525Z JUN 77

FM AMEMBASSY CONAKRY

TO SECSTATE WASHDC 3153

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E.OJM 11652: N/A

TAGS: ECIN EGEN GV

SUBJECT: GUINEA AND ECOWAS: SUMMER INTERN PROJECT

REF: STATE 134253

1. SUNMARY: PROGNOSIS FOR GUINEAN PARTICIATION IN ECONOMIC INTEGRATION MOVEMENT IS POOR. NATURE OF ECONOMIC AND POLITICAL SYSTEM PLUS POOR RELATIONS WITH SOME NEIGHBORING COUNTRIES (I.E. SENEGAL AND IVORY COAST) ARE AMONG REASONS. PRIMARY ROLE GIVEN POLITICAL RATIONALE IN ECONOMIC DECISION-MAKING AT ALL LEVELS AND EXISTING INTERNATIONAL TRADING PATTERNS ARE ALSO CONTRIBUTING FACTORS. LACK OF ANY MARKETS FOR FACTOR INPUTS, ECONOMIC OUTPUT OR CURRENCY WILL GREATLY HINDER MEANINGFUL ECONOMIC INTEGRATION WITH OTHER ECOWAS MEMBERS. END SUMMARY.

2. GUINEA REPRESENTS A SPECIAL CASE IN THE ECOWAS FRAMEWORK. GUINEA HAS TRADITIONALLY HAD STRONG TRADE AND IDEOLOGICAL TIES WITH THE SOVIET UNION, CHINA AND OTHER "SOCIALIST" ECONOMIES, EVEN THOUGH THEIR TRADE HAS STAGNATED OR DIMINISHED IN RECENT YEARS AND GUINEA'S TRADE WITH THE WEST HAS RISEN. SINCE INDEPENDENCE (1958) OVER 60 PERCENT OF GUINEAN DEBT APPEARS TO BE TO SOCIALIST  
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COUNTRIES. MUCH OF THAT DEBT IS SHORT TERM TRADING DEBT. SINCE MOST NATURAL TRADING PARTNERS WITHIN ECOWAS (I.E. IVORY COAST, NIGERIA, GHANA) HAVE FOLLOWED A MUCH MORE "OPEN" ECONOMIC SYSTEM (EVEN IF NOT ALWAYS "CAPITALIST") GUINEA IS ISOLATED WITHIN REGION. (I.E. OIL IS IMPORTED NOT FROM GABON OR NIGERIA BUT FROM ROMANIA OR THE USSR.) VERY FEW RAW

MATERIALS OR FINISHED PRODUCTS APPEAR TO BE TRADED WITH THE YOUNG INDUSTRIES OR OTHER "THIRD WORLD" COUNTRIES IN AFRICA ALTHOUGH DATA IS EXTREMELY DIFFICULT TO GET. GUINEA'S TRADING LINKS FLOW DIRECTLY FROM IDEOLOGICAL CONCEPTS OF GOG. WE FIND NO "A PRIORI" ECONOMIC REASON GUINEA DOES SO LITTLE TRADING WITH SIERRA LEONE, IVORY COAST, GABON OR OTHERS.

3. IN THIS CONTEXT, WE DO NOT FEEL GUINEA WILL CONTRIBUTE GREATLY TO LONG-TERM DEVELOPMENT OF ECOWAS EVEN THOUGH SEKOU TOURE HAS GIVEN IT UNQUALIFIED RHETORICAL SUPPORT. ONE MAJOR PROBLEM AREA IS TOTAL LACK OF LEGAL MARKET IN GUINEA AND ALMOST COMPLETE LACK OF EVEN VIABLE PARALLEL MARKET EXCEPT AT BORDER. IT WILL BE DIFFICULT FOR GUINEAN NEGOTIATORS TO FIND COMMON GROUND WITH LESS DOCTRINAIRE SOCIALIST OR MARKET ECONOMIES IN TRADE NEGOTIATIONS. IN ECONOMIC INTEGRATION THIS WILL BE EVEN MORE TRUE (I.E. MONEY SUPPLY, FOOD PRICES, FOREIGN EXCHANGE PRICES ARE CONSIDERED TO BE PRIMARILY TOOLS OF POLITICAL RATHER THAN ECONOMIC POLICY).

4. WEST AFRICAN FREE-TRADE AREA IS DIFFICULT CONCEPT FOR GUINEA. IF PRICES OF KEY COMMODITIES PRODUCED THROUGHOUT THE REGION (I.E. RICE, MANIOC) WERE TO BE SET BY A SUPRA-NATIONAL AUTHORITY OR ALLOWED TO FLUCTUATE FREELY AND GUINEA WERE TO HAVE OPEN BORDERS, IT WOULD BE IMPOSSIBLE LIMITED OFFICIAL USE

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TO USE PRICES (I.E. FOOD PRICES) AS A POLITICAL TOOL. FREE-TRADE MIGHT ALSO CAUSE PROBLEMS FOR OTHER ECOWAS MEMBERS BUT THOSE PROBLEMS MORE SEVERE FOR GUINEA. ANOTHER EXAMPLE IS CURRENCY VALUE. GUINEA'S INCONVERTIBLE CURRENCY IS CURRENTLY PEGGED AT 21.246 SYLIS PER U.S. DOLLAR. PARALLEL MARKET PRICES RANGE FROM 100-125 PER U.S. DOLLAR. THIS SITUATION COULD NOT LIKELY EXIST INSIDE FREE-TRADE AREA.

5. CUSTOMS UNION WITH OTHER AFRICAN STATES IS ALMOST INCONCEIVABLE UNDER CURRENT GUINEAN POLICY BECAUSE OF POLITICAL RANCOR BETWEEN GUINEA AND IVORY COAST/SENEGAL AS WELL AS ECONOMIC ISSUES OUTLINED ABOVE.

6. INsofar AS USG IS WILLING TO CONTRIBUTE TO ECOWAS BY TARIFF PREFERENCES OR CONTRIBUTIONS TO A DEVELOPMENT BANK WE BELIEVE GUINEA WOULD BE PLEASED TO SEE USG PARTICIPATION. WE DO NOT BELIEVE GUINEA WOULD BE ABLE OR WILLING TO CONTRIBUTE ECONOMIC RESOURCES OR POLITICAL EFFORT IN RETURN.

7. PROSPECTIVE IMPACT ON COMMERCIAL RELATIONS WILL BE

FOR GUINEA TO FALL EVEN FURTHER BEHIND ITS NEIGHBORS AS  
CUSTOMER OF U.S. GOODS. MARKET FOR U.S. GOODS WILL EXIST  
NEVERTHELESS. SEVERAL MODERN AND VIGOROUS "ENCLAVES"  
ARE DEVELOPING IN GUINEA (PINEAPPLE EXPORT PROJECTS,  
IRON ORE MINING, BAUXITE MINING, ETC.) OFTEN WITH WORLD  
BANK AND/OR U.S. PARTICIPATION. DUE TO WORLD BANK RULES  
AND U.S. FIRM'S PREFERENCE MARKET FOR U.S. EQUIPMENT SUCH  
AS LARGE-SCALE MINING EQUIPMENT WILL GROW. IT IS IMPORTANT  
TO NOTE THAT POLITICAL AND ECONOMIC POLICY WILL HINDER  
ANY SPREAD EFFECT IN ECONOMIC DEVELOPMENT OF GUINEA.  
ENCLAVES WILL REMAIN ISOLATED DUE TO GUINEAN GOVERNMENT  
POLICY (1) AGAINST "WESTERNERS" ASSOCIATION WITH  
GUINEANS; (2) AGAINST LABOR MARKETS AND ; (3) FIXING PRICES  
FOR ALL COMMODITIES ARBITRARILY.  
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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009